

DATE _____

BILL NO. _____

**Potential Options for the Montana Beef Council to Consider
As It Evaluates the Montana Department of Livestock Proposal
For the Collection of the Beef Checkoff Assessments**

Option 1: Extend the current contract with MDOL which requires MBC to pay MDOL a collection fee of 5% of the amount of assessments collected by MDOL.

Option 2: Reimburse MDOL for actual costs incurred for the next fiscal year using the procedures listed below and reevaluate the contract after one year.

1. MDOL employees, such as inspectors and office personnel, each record their time each day on a form similar to the attached form. Employee compensation costs may not be reimbursed without submission of the detailed time sheets as support for the actual compensation costs billed to MBC. In addition, MDOL will only bill that portion of employee's time spent collected and remitting assessments and will not bill MBC for any time related to inspection services.
2. MDOL will submit all invoices to MBC no later than the 15th day of the month following the month of sale. MBC will not pay MDOL for invoices submitted after the 15th day without approval of the MBC board of directors.
3. Livestock markets could remit assessments directly to MBC instead of MDOL which will save MDOL time. MBC will not compensate livestock markets for collecting assessments because the markets are defined in the Act and Order as collecting persons which may not be compensated for collecting assessments.
4. MBC's collections employee will train MDOL's office personnel how to document costs incurred and how to prepare invoices for submission to MBC.
5. MBC should consider purchasing its own bulk mail permit and postage meter for use by MDOL as this will simplify MDOL's documentation of actual postage costs. In this case, MBC personnel will conduct periodic inspections of the postage meter and other documentation to verify usage.
6. MDOL will bill MBC for related out-of-pocket costs incurred by MDOL (printing, envelopes etc.) on a monthly basis and include copies of receipts supporting the costs paid by MDOL.
7. MDOL will submit one monthly invoice to MBC with copies of the required supporting documentation attached.
8. MDOL will remit assessments collected by MDOL to MBC twice monthly along with the assessment documentation required by the current contract.

Option 3: Extend the current contract with MDOL with the exception of assessments collected by livestock markets, which MBC will begin handling on October 1, 2010.

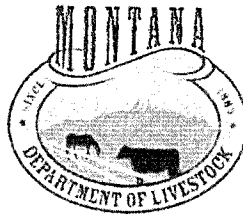


STATE OF MONTANA

BRIAN SCHWEITZER, GOVERNOR

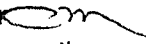
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August 18, 2010

TO: Montana Board of Livestock
FROM: Christian Mackay, Executive Officer 
RE: Cost analysis with Montana Beef Council

Last Friday, I met with Charlene Rich and the Montana Beef Council Collection Committee members Steve Harmon, Jerry Jones, Jim Steinbeisser, Jan Allen, and staff members Lisa Murray and Sue Broyles.

We discussed the Departments cost analysis of collection of beef council money, which I have enclosed. Additionally, we reviewed the information packet from the Cattlemen's Beef Board, which I have also enclosed.

According to the CBB, in order for the Montana Beef Council to reimburse the department for actual costs incurred, we would need to document those costs and submit that documentation to MBC with invoices. A copy of the expense form is attached. Each Department employee who is involved with the checkoff collection would need to keep this record. While this is not an insurmountable task, it would add time and cost to the process.

Two other options were outlined by the CBB and those are attached. A motion was made by the collections committee that their preference was to combine Options 1 and 3, thus renewing the current contract and direct billing the markets for collection. This would reduce our costs by \$12,429 and our fees by \$22,304, for a net reduction to the Department of \$9,875 (based on 2009 collections).

* I brought forward an additional option. The Department could provide to MBC all change of ownership inspection data electronically. The information could include name and mailing address of the seller, number of head sold, date sold and any other information that we collect. We could submit this information on a weekly basis, or as often as the MBC requested, and MBC could then direct bill producers for all checkoff collections. The cost for this would be approximately one hour to set up the initial script, plus one hour per week to download the data, dump into a spreadsheet and send that data to MBC. Our billing time to the Montana Cattlemen's Association to verify their membership was \$22.43 per hour for computer staff time. I believe this amount would also work for this process. The annual cost would be approximately \$1,188. MBC said that under this option, they would also need the Beef Council paper receipt from the bill of sale. This would be an additional annual cost of \$1,733 for the form and \$4,939 for postage. I believe that this option is also in compliance with Montana statute (also attached).

I present all of these options for your consideration. Please contact me with any questions. As our current agreement expires on September 30, I suggest that we schedule a conference call in early September to discuss this matter. I will be in touch with you next week to schedule a date.

cc. Charlene Rich w/o attachments